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Perceptions and challenges of using smart wallet In the context of microfinance On small entrepreneurs in Gorontalo city

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Abstract

This research aims to explore the perceptions of small entrepreneurs in Gorontalo City regarding the use of smart wallets in managing their business finances, as well as identifying the challenges faced in implementing smart wallets in the context of microfinance. The main focus of this research is on an in-depth understanding of the views and experiences of small entrepreneurs regarding the benefits, risks and barriers in adopting smart wallets for their business activities.

This research uses a qualitative approach with in-depth interview methods and observations of small entrepreneurs in Gorontalo City. The data obtained was analyzed by following the Miles and Huberman data analysis model, which includes data reduction, data presentation, and conclusion drawing. The data collection process is carried out until it reaches the saturation point, where no significant new information is found.

The research results show that the majority of small entrepreneurs in Gorontalo City have a positive perception of the use of smart wallets in managing their business finances, considering smart wallets as a practical, safe and efficient payment tool. However, several significant challenges were also identified, such as internet connectivity issues, difficulties in understanding features and operations, burdensome transaction fees, security risk and fraud concerns, and difficulty changing consumer preferences. Other challenges include a lack of outreach and education, obstacles to integration with business bookkeeping systems, and limited access to and ownership of supporting equipment

Keywords: Microfinance, Perception of Small Entrepreneurs, Adoption Challenges

1. Introduction

The increasingly rapid development of digital technology has brought significant changes in various aspects of life, including in the world of finance. One of the innovations that has emerged is a smart wallet or digital wallet (e-wallet) which allows financial

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transactions to be carried out electronically via mobile devices. Smart wallets offer convenience, speed and efficiency in transactions without having to carry cash (Afandi et al., 2021: 45). However, on the other hand, the adoption of new technology such as smart wallets is often faced with challenges, especially in terms of public perception and acceptance.

In the context of microfinance, smart wallets have the potential to simplify financial transactions for small businesses. Small businesses are one of the important pillars of the Indonesian economy, but often face obstacles in accessing formal financial services (Hayati & Si, 2017: 23). Smart wallets can be an alternative solution that allows them to carry out financial transactions more easily, safely and efficiently. However, the adoption of smart wallets among small businesses is not yet optimal, and this can be caused by various factors such as perception, financial literacy, and the level of trust in new technology (Alsyukri, 2021: 67).

Gorontalo City, as one of the economic centers in Gorontalo Province, has many small business actors who play an important role in supporting the regional economy. It is recorded that micro and small business actors account for 82.68% of all business actors in Gorontalo City (City BPS Gorontalo, 2023: 52).

Individual perceptions of new technology such as smart wallets can be influenced by various factors, such as perceived benefits, ease of use, trust, and risks faced (Brahmanta & Wardhani, 2021: 78). Positive perceptions of smart wallets can encourage interest and decisions to use them, while negative perceptions can be an obstacle to adoption (Erna Wati & Noersanti, 2020: 34).

Apart from perception, another challenge that may be faced in adopting smart wallets among small businesses is the low level of financial literacy and financial inclusion (Natsir et al., 2023: 45). Adequate financial literacy can help individuals understand financial products and services better, so they can make the right decisions in using them. Meanwhile, low financial inclusion can be an obstacle in accessing formal financial services, including smart wallets (Choerudin et al., 2023: 67).

Perceptions and challenges of smart wallet adoption are not only influenced by individual factors, but also by environmental and cultural factors in local communities. In the context of Gorontalo City, it is important to consider local cultural aspects that may influence acceptance of new technology such as smart wallets. For example, people's preference for cash transactions which have become a habit, or the trust factor in the newly introduced digital financial system (Rembulan & Firmansyah, 2020: 23).

Apart from that, the role of microfinance institutions that have developed in Gorontalo City also needs to be considered in the context of smart wallet adoption. Microfinance institutions have an important role in providing access to financial services for small businesses and communities who are underserved by formal financial institutions (Harahap & Soemitra, 2022: 67). Collaboration between smart wallet service providers and microfinance institutions can be an effective strategy to increase smart wallet adoption among small businesses in Gorontalo City.

Although smart wallets offer many benefits, such as ease of transactions, cost efficiency, and wider access to financial services, there are also risks that must be considered in using this technology. Data security, fraud and privacy risks are some of the things that are often a concern for smart wallet users (Noer et al., 2020: 45).

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In an effort to increase smart wallet adoption among small businesses in Gorontalo City, it is important to understand their consumer preferences and behavior towards the use of digital financial technology. A study conducted by Sari (2022: 78) shows that consumer behavior, such as perceived benefits, ease of use, and trust, can influence individuals' interest in using digital financial services such as e-wallets. By understanding consumer preferences and behavior, smart wallet service providers can adjust marketing strategies and the features offered to be more relevant to the needs of small businesses in Gorontalo City.

Exploration of the role of local government and related institutions in supporting smart wallet adoption in Gorontalo City needs attention. Support from local governments, such as policies that encourage the use of smart wallets in government transactions, outreach and training, can be a significant motivating factor for small businesses to adopt this technology (Setiantoro et al., 2018: 34). Collaboration between local governments, financial institutions and smart wallet service providers can create a conducive ecosystem for the development and adoption of smart wallets in Gorontalo City.

In the context of the digital economy, smart wallets not only function as payment tools, but can also play a role in encouraging financial inclusion and economic empowerment for communities who are underserved by the formal financial system. Through smart wallets, small businesses in Gorontalo City can have easier access to financial services such as fund transfers, bill payments, and even access to financing or loans (Herawati et al., 2020: 56). However, the main challenge in achieving financial inclusion through smart wallets is ensuring that this technology can be widely adopted by society, including those who have limited access to digital technology.

In promoting smart wallet adoption among small businesses in Gorontalo City, it is important to consider age factors and generational differences. The younger generation or millennials tend to be more open to new technology and are more familiar with the use of mobile devices (Mukarramah, 2021: 45). However, more senior small businesses may have barriers to adopting smart wallets, such as limited technological knowledge or a preference to stick with traditional payment methods. Different promotion and outreach strategies may be needed to reach various age segments of small businesses in Gorontalo City.

Apart from that, it should also be noted that the use of smart wallets is not only limited to financial transactions, but can also include other aspects such as marketing and promotion of products or services. With the features offered by the smart wallet, small businesses in Gorontalo City can use it as a means of online promotion and sales (Hoetoro & Satria, 2020 : 67). However, a challenge that may be faced is the need to improve digital skills and digital literacy for small businesses so they can make optimal use of smart wallets for marketing and promotional purposes.

In the context of this research, the consumer perspective is very important to understand. Consumer perspectives can provide insight into the factors that encourage or hinder them from adopting smart wallets, such as perceived benefits, ease of use, trust, and perceived risks (Simanihuruk et al., 2023: 78). By understanding the consumer perspective, smart wallet service providers can adapt their features and marketing strategies to be more relevant to the needs and preferences of small businesses in Gorontalo City.

Regardless of the challenges that may be faced, the adoption of smart wallets among small businesses in Gorontalo City has great potential to encourage economic growth and community welfare. With ease of transactions, cost efficiency and access to wider financial

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services, small businesses can increase productivity and expand the reach of their business (Leng et al., 2018: 34).

In initial observations carried out by researchers in Gorontalo City, several interesting phenomena were found regarding the perceptions and challenges of smart wallet adoption among small businesses. First, there are still many small business actors who do not know or use smart wallets in their business transactions. They still depend on traditional payment methods such as cash or conventional bank transfers (Mujahidin, 2020: 23). This indicates a potential lack of socialization and education about the benefits of smart wallets for small businesses in Gorontalo City.

Another phenomenon found was the concern and negative perception of some small business actors regarding security and privacy in using smart wallets. They feel hesitant to save funds or carry out financial transactions via digital applications because of concerns about the risk of data loss or fraud (Nurhidayah et al., 2021: 67). This shows the need for efforts to increase trust and overcome security concerns in using smart wallets.

Apart from that, this research observation also revealed that there is a gap in digital literacy and technology skills among small business actors in Gorontalo City. Some of them find it difficult to use mobile devices or digital applications such as smart wallets due to a lack of adequate knowledge and skills (Suryani & Ramadhan, 2017: 45). This is a challenge in itself in efforts to increase smart wallet adoption, because efforts are needed to increase digital literacy and technological skills for small businesses.

Even though there are challenges and phenomena as mentioned above, initial observations of this research also found the potential and interest of some small business actors in Gorontalo City to adopt smart wallets. They realize that using a smart wallet can provide benefits such as ease of transactions, time efficiency, and wider access to financial services (Putri & Adi, 2022: 56). However, this interest needs to be supported by appropriate efforts, such as education, increasing digital literacy, and building trust in the security of smart wallets.

Based on the phenomena and challenges found in these observations, this research becomes increasingly important to carry out. By understanding in depth the perceptions and challenges faced by small businesses in Gorontalo City in adopting smart wallets, it is hoped that appropriate solutions and recommendations can be found to encourage wider adoption of this technology. This research not only contributes to providing insight for stakeholders in Gorontalo City, but can also be a reference for efforts to increase smart wallet adoption in other areas that have similar characteristics (Auliya & Arransyah, 2023: 67).

2. Methods

This research uses a qualitative approach with a case study method as recommended by Miles and Huberman (1994). A qualitative approach was chosen to gain an in-depth understanding of the perceptions and challenges of using smart wallets in the context of microfinance among small entrepreneurs in Gorontalo City. Case studies are considered the most appropriate because they allow researchers to study phenomena in real life contexts in a comprehensive and holistic manner (Abubakar, 2021: 121). By using this approach, researchers can explore the subjective experiences of small businesses in using smart wallets to manage their finances.

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The research was conducted in the Gorontalo City area in April 2024. Gorontalo City was chosen as the research location because it is one of the centers of economic activity in Gorontalo Province with a fairly large number of micro, small and medium enterprises (MSMEs), namely 23,456 business units in 2024. 2023 (BPS Gorontalo City, 2023). Apart from that, based on preliminary data obtained from the Gorontalo City Cooperatives and SMEs Service, there has been an increase in the use of smart wallets among MSMEs since the COVID-19 pandemic. Therefore, Gorontalo City is considered appropriate to study the perceptions and challenges of using smart wallets in the context of microfinance among small entrepreneurs.

The data collection techniques used in this research were in-depth interviews and participant observation. In-depth interviews were conducted with small entrepreneurs who use smart wallets to manage their business finances. The interview guide was prepared in a semi-structured manner to obtain in-depth information about their perceptions of using smart wallets, the challenges they face, and the impact of using smart wallets on their business performance. Participatory observation was carried out by being directly involved in the business activities of the informants to observe their behavior and interactions with the smart wallet in the actual context (Hikmawati, 2020: 83).

The selection of informants in this research used purposive sampling and snowball sampling techniques. Purposive sampling was used to select initial informants who met certain criteria, namely small entrepreneurs in Gorontalo City who had used a smart wallet to manage their business finances for at least 6 months. Snowball sampling was then used to obtain other informants based on recommendations from previous informants (Sahir, 2021: 97). The data collection process will continue until data saturation is reached or no significant new information is found.

Data analysis in this research follows the interactive model proposed by Miles and Huberman (1994), which consists of three main stages: data reduction, data display, and conclusion drawing/verification. . Data reduction is carried out by sorting, summarizing and categorizing data obtained from interviews and observations. Data is presented in the form of narrative text, charts or graphs to make it easier to draw conclusions. Conclusions are drawn in stages and continue to be verified throughout the research process (Sahir, 2021: 112-113). To increase the validity of the data, researchers will triangulate sources and methods, and involve colleagues in the data analysis process.

3. Results

a. Small Entrepreneurs' Perceptions regarding Smart Wallets

Based on the results of interviews and observations, it was found that the majority of informants had a positive perception of smart wallets. They consider smart wallets as a practical, safe and efficient payment tool to support their business activities. Here is one interview script that reflects this perception:

" I feel that smart wallets really help my business. Previously I still used cash for all transactions, now many buyers pay using smart wallets, so I don't need to worry about carrying lots of cash." (Informant 1, food seller)

Positive perception of smart wallets among small entrepreneurs in Gorontalo City. Smart wallets are seen as practical, safe and efficient payment tools to support their business

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activities. Using a smart wallet makes transactions easier and reduces the need to carry large amounts of cash.

Apart from that, several informants also highlighted the benefits of smart wallets in improving their business financial management. With a smart wallet, they can easily track income and expenses, and separate business and personal finances. This is considered important to maintain the sustainability of their business. As expressed by one informant:

" Before using a smart wallet, I often confused business money with personal money. Now I can separate it easily, so I am more organized in managing my finances. " (Informant 2, grocery store owner)

Smart wallets provide benefits in improving business financial management for small entrepreneurs in Gorontalo City. The smart wallet feature allows entrepreneurs to track income and expenses more easily, as well as separate business and personal finances separately. This helps them manage business finances in a more organized and controlled manner.

However, not all informants have a completely positive perception of smart wallets. A small number of informants expressed their concerns regarding data security and privacy risks in using smart wallets. They feel anxious if there is a data leak or fraud that could harm their business. Here is an interview script that reflects those concerns:

" I'm a little worried about the security issue of this smart wallet. What if our data is leaked or someone cheats? That could be detrimental to our business. " (Informant 3, food stall owner)

Although the majority of small entrepreneurs in Gorontalo City have positive perceptions of smart wallets, several informants expressed concerns regarding data security and privacy risks in using smart wallets. They worry about data leaks or fraud that could harm their business. This concern arises from anxiety about potential security threats in the use of smart wallets.

However, informants who are concerned about security risks continue to use smart wallets due to the convenience and efficiency they offer. They overcome this by always being careful in making transactions and only using trusted smart wallets.

" Yes, I still use a smart wallet because it is easier and faster than cash. But I am always careful and only use smart wallets that are safe and reliable. " (Informant 4, food stall owner)

Even though they have concerns regarding data security and privacy risks, the small entrepreneurs in Gorontalo City who were informants in this research still use smart wallets due to the convenience and efficiency they offer. To overcome this, they are always careful when making transactions and only use safe and trusted smart wallets.

Apart from perceptions regarding benefits and risks, several informants also highlighted the importance of knowledge and skills in using a smart wallet. They realize that a lack of digital literacy and skills in operating a smart wallet can be an obstacle in optimizing the benefits of a smart wallet for their business. As expressed by one informant:

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"I admit that there is still a lot that I don't understand about how this smart wallet works. Sometimes I'm still confused about how to carry out certain transactions or its features. It takes a lot of learning to use it optimally. " (Informant 5, clothing trader)

Small entrepreneurs in Gorontalo City also highlighted the importance of knowledge and skills in using smart wallets. They realize that a lack of digital literacy and skills in operating smart wallets can be an obstacle in optimizing the benefits of smart wallets for their business. Efforts are needed to improve understanding and skills in using smart wallets so that they can be utilized optimally.

Another interesting finding is the difference in perception between younger and older small entrepreneurs in adopting smart wallets. Younger informants tend to be more open and enthusiastic about using smart wallets, while older informants tend to be more cautious and need time to learn how to use them. Here is an interview script that illustrates the differences:

" I've been used to using a smart wallet since I was in college. So, when I started a business, I immediately used a smart wallet for transactions and bookkeeping. It's easy and practical. " (Informant 5, accessories shop owner, 27 years old).

"At first I was a bit confused and afraid of using this smart wallet incorrectly. But after being taught by the children, I started to get used to it. It does take time to adapt to new technology. " (Informant 6, traveling vegetable seller, 58 years).

There is a difference in perception between younger and older small entrepreneurs in adopting smart wallets. Younger small entrepreneurs tend to be more open and enthusiastic about using smart wallets, while older ones tend to be more cautious and need time to learn how to use them. This difference is caused by age factors and level of familiarity with digital technology.

Apart from that, several informants also revealed that their positive perception of smart wallets was influenced by trends and people's lifestyles which were increasingly modern and completely digital. They feel the need to keep up with the times so that their business is not left behind and can serve buyers from various circles. As expressed by one informant:

"Now the era is all digital, so we have to follow trends if we don't want to be left behind. Many buyers, especially young people, prefer to pay using smart wallets rather than cash. " (Informant 7, clothing distro owner)

The positive perception of small entrepreneurs in Gorontalo City towards smart wallets is also influenced by trends and people's lifestyles which are increasingly modern and completely digital. They feel the need to keep up with the times so that their business is not left behind and can serve buyers from various groups, especially young people who are more familiar with digital technology.

However, several informants also admitted that the use of smart wallets has not yet been fully adopted by all levels of society in Gorontalo City. They observed that some people, especially those who live in rural areas or have lower-middle economic backgrounds, are still more comfortable using cash in transactions. This was expressed by one of the following informants:

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" Indeed, many people here in the city use smart wallets, but in the villages there are still many who use cash. They are still a bit unfamiliar with this kind of technology. " (Informant 8, cake seller)

Even though the positive perception of smart wallets is quite large among small entrepreneurs in Gorontalo City, the use of smart wallets has not been fully adopted by all levels of society. Some people, especially those who live in rural areas or have lower-middle economic backgrounds, are still more comfortable using cash for transactions because they feel unfamiliar with digital technology such as smart wallets.

Overall, it can be concluded that the perceptions of small entrepreneurs in Gorontalo City towards smart wallets are quite diverse. Although most have positive perceptions regarding the benefits and convenience offered by smart wallets, there are also those who are concerned about data security and privacy issues. Apart from that, age, economic background and level of digital literacy also influence their perception of smart wallets.

The perceptions of small entrepreneurs in Gorontalo City regarding smart wallets are quite varied. Most have positive perceptions regarding the benefits and convenience offered, but there are also those who are concerned about data security and privacy issues. Factors such as age, economic background and level of digital literacy also influence their perceptions.

Based on the findings above, it can be concluded that the perception of small entrepreneurs in Gorontalo City regarding the use of smart wallets in managing their business finances is quite positive in general. They appreciate the convenience, efficiency and benefits offered by smart wallets in facilitating transactions and managing business finances. However, there are still concerns regarding data security and privacy risks, as well as obstacles in optimizing the use of smart wallets due to a lack of digital literacy and skills. Apart from that, age factors, economic background, and the level of adoption of digital technology in society also influence their perception of smart wallets. Overall, positive perceptions dominate, but further efforts are needed to overcome challenges and obstacles in optimizing the use of smart wallets for small entrepreneurs in Gorontalo City.

b. Challenges of Using Smart Wallets in Microfinance

Although the majority of small entrepreneurs in Gorontalo City have positive perceptions of the use of smart wallets, they also face various challenges in implementing them in the context of microfinance. One of the main challenges faced is the problem of inadequate internet connectivity, especially for entrepreneurs operating in rural or remote areas. The following is an interview script that reflects these problems:

" I often have difficulty using my smart wallet because the internet signal is bad in this village. Sometimes transactions fail or the process is slow ." (Informant 9, traveling fish seller)

One of the main challenges faced by small entrepreneurs in Gorontalo City in using smart wallets is the problem of inadequate internet connectivity, especially for entrepreneurs operating in rural or remote areas. This condition causes disruption in carrying out transactions via smart wallets, such as failed transactions or slow processing.

Apart from that, several informants also revealed that they had difficulty understanding the features and how to operate complex smart wallets. Lack of digital

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literacy and adequate training are obstacles in optimizing the benefits of smart wallets for their businesses. As expressed by one informant:

"Actually, this smart wallet has many useful features, but I am often confused about how to use it. Maybe there needs to be special training so that we can maximize its use. " (Informant 10, clothing trader)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is the difficulty in understanding the features and how to operate complex smart wallets. Lack of digital literacy and adequate training are obstacles in optimizing the benefits of smart wallets for their businesses.

Another significant problem is related to transaction fees charged by smart wallet service providers. Some informants felt that these transaction fees were quite burdensome for their small businesses, especially if transactions were made in small amounts. This was expressed by one of the following informants:

" Transaction fees charged by smart wallets are sometimes quite heavy for small businesses like us. Especially if the transactions are only a few, so the costs are not balanced. " (Informant 11, coffee shop owner)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is related to transaction fees charged by smart wallet service providers. Some informants felt that these transaction fees were quite burdensome for their small businesses, especially if transactions were made in small amounts.

Apart from that, several informants also expressed concerns regarding the risk of financial loss due to fraud or fraud in using smart wallets. They feel that the smart wallet security system is not fully guaranteed, especially for users who have low digital literacy. As expressed by one informant:

" I've heard stories of people who lost their money because they were cheated on smart wallets. That's what makes me wary of using it fully, afraid that I'll lose my business money too. " (Informant 12, building shop owner)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is concern regarding the risk of financial loss due to fraud or cheating. They feel that the smart wallet security system is not fully guaranteed, especially for users who have low digital literacy.

Even though smart wallets offer convenience in transactions, several informants also face challenges in changing consumer preferences who are still used to cash transactions. This especially happens in rural areas or among consumers from lower-middle economic backgrounds who are still not fully accustomed to digital technology. As expressed by one informant:

"Many of my buyers still prefer to pay using cash, especially those who are old or live in villages. They are still a bit unfamiliar with smart wallets, so it's difficult to change their habits. " (Informant 13, cake seller)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is the difficulty in changing the preferences of consumers who are still accustomed to

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cash transactions, especially in rural areas or consumers from lower middle economic backgrounds who are still not fully accustomed to digital technology.

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is related to the lack of socialization and education from smart wallet service providers. Several informants felt that they did not receive clear information about how to use smart wallets optimally, as well as the benefits and risks. This was expressed by one informant:

"I'm actually still confused about how to use all the features of this smart wallet. The service provider doesn't explain it in detail, so we have to learn it ourselves ." (Informant 14, grocery store owner)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is related to the lack of socialization and education from smart wallet service providers about how to use smart wallets optimally, as well as the benefits and risks.

Apart from that, several informants also revealed that they experienced problems in integrating smart wallets with their business bookkeeping systems which were still manual or traditional. This makes it difficult for them to track and record transactions accurately. As expressed by one informant:

" I still use a notebook to record business income and expenses. So, it's a bit complicated if I want to integrate it with more modern smart wallet transactions. " (Informant 15, food stall owner)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is the difficulty in integrating smart wallets with their business bookkeeping systems which are still manual or traditional, making it difficult for them to track and record transactions accurately.

However, several informants also admitted that they still had limitations in terms of access and ownership of devices that support the use of smart wallets, such as smartphones or other gadgets. This condition is mainly experienced by small entrepreneurs with lower middle economic backgrounds. As expressed by one informant:

" I actually want to use a smart wallet, but I'm still confused about what cellphone to use. My cellphone is now old and doesn't support the smart wallet application. " (Informant 16, mobile vegetable seller)

Another challenge faced by small entrepreneurs in Gorontalo City in using smart wallets is limitations in terms of access and ownership of devices that support the use of smart wallets, such as smartphones or other gadgets, especially for entrepreneurs from lower to middle economic backgrounds.

Overall, it can be concluded that small entrepreneurs in Gorontalo City face various challenges in using smart wallets to manage their business finances. These challenges include internet connectivity problems, difficulties in understanding smart wallet features and operations, burdensome transaction fees, concerns about security risks and fraud, difficulties changing consumer preferences, lack of outreach and education, obstacles to integration with business accounting systems, as well as limited access and ownership of supporting devices.

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Overall, small entrepreneurs in Gorontalo City face various challenges in using smart wallets to manage their business finances, including internet connectivity problems, difficulties in understanding smart wallet features and operations, burdensome transaction fees, concerns about security and fraud risks, difficulty changing consumer preferences. , lack of socialization and education, obstacles to integration with business bookkeeping systems, as well as limited access and ownership of supporting equipment.

Based on the findings above, it can be concluded that although small entrepreneurs in Gorontalo City have a positive perception of the use of smart wallets in managing their business finances, they also face a number of significant challenges. These challenges include technical aspects such as internet connectivity problems and limited supporting devices, digital understanding and literacy aspects such as difficulties in understanding smart wallet features and operations as well as lack of socialization and education, financial aspects such as burdensome transaction fees, and security aspects such as risk concerns. fraud and financial loss. Apart from that, challenges also arise in terms of consumer preferences and integration obstacles with existing business bookkeeping systems. To optimize the use of smart wallets in the context of microfinance among small entrepreneurs in Gorontalo City, comprehensive efforts are needed to overcome these challenges, both from the side of smart wallet service providers, the government, and small entrepreneurs themselves.

4. Discussion

a. Small Entrepreneurs' Perceptions regarding Smart Wallets

The findings in this research show that the majority of small entrepreneurs in Gorontalo City have a positive perception of the use of smart wallets in managing their business finances. They consider smart wallets as a practical, safe and efficient payment tool. This finding is in line with research conducted by Afandi et al. (2021: 18) who found that perceived convenience and perceived usefulness had a positive effect on intention to use e-wallet. This positive perception of small entrepreneurs in Gorontalo City is also supported by the Technology Acceptance Model (TAM) theory which states that perceived ease of use and perceived usefulness influence the acceptance of technology by users (Putri & Adi, 2022: 67).

However, this research also found that there were concerns from some small entrepreneurs regarding data security and privacy risks in using smart wallets. This finding is in line with research conducted by Noer et al. (2020: 8) which states that security factors are one of the main considerations in using e-wallets. This concern is also supported by the theory of perceived risk in the Technology Acceptance Model (TAM) which states that perceived risk can hinder the acceptance of technology by users (Brahmanta & Wardhani, 2021: 62).

This finding is in line with research conducted by Rembulan and Firmansyah (2020: 143) which found that the younger generation (generation Z) tends to be quicker in adopting digital wallets compared to the older generation. This difference is also in line with the diffusion of innovation theory which states that age is one of the factors that influences the speed of adoption of an innovation (Simanihuruk et al., 2023: 78).

This research also found that positive perceptions of smart wallets are influenced by trends and lifestyles in society which are increasingly modern and completely digital. This finding is supported by research by Alsyukri (2021: 45) which states that lifestyle has a positive influence on the decision to use e-wallet during the COVID-19 pandemic. This

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finding is also in line with consumer behavior theory which states that lifestyle is one of the factors that influences purchasing decisions and consumer behavior (Febria & Oktavio, 2020: 19).

However, this research also found that some people, especially those who live in rural areas or have lower-middle economic backgrounds, are still more comfortable using cash in transactions. This finding is in accordance with research conducted by Mujahidin (2020: 175) which states that the use of e-wallets tends to be more widely adopted by people who live in urban areas and have higher incomes. This finding is also supported by theory which states that income level and geographic location influence consumer behavior in adopting technological innovation (Simanihuruk et al., 2023: 78).

Research findings also reveal the importance of knowledge and skills in using a smart wallet in order to optimize its benefits for business. This is in line with research conducted by Auliya and Arransyah (2023: 192) which states that technological literacy has a positive effect on consumer behavioral interest in using QRIS. This finding is also supported by financial literacy theory which states that knowledge and skills in using financial products and services, including smart wallets, are very important to support financial inclusion (Choerudin et al., 2023: 26).

b. Challenges of Using Smart Wallets in Microfinance

One of the main challenges faced by small entrepreneurs in Gorontalo City in using smart wallets is the problem of inadequate internet connectivity, especially in rural or remote areas. This finding is in line with research conducted by Herawati et al. (2020: 71) which states that information and communication technology infrastructure, including internet access, is one of the obstacles in the use of fintech for MSMEs in Indonesia. This finding is also supported by the diffusion of innovation theory which states that the availability of infrastructure is an important factor that influences the adoption of a technological innovation (Simanihuruk et al., 2023: 79).

Another finding in this research is the difficulty of small entrepreneurs in understanding the features and how to operate complex smart wallets. This is in line with research conducted by Ernawati and Noersanti (2020: 24) which found that perceived ease of use had a positive effect on interest in using the OVO e-wallet. This finding is also supported by the Technology Acceptance Model (TAM) theory which states that perceived ease of use influences the acceptance and adoption of technology by users (Putri & Adi, 2022: 67).

This research also found that transaction fees charged by smart wallet service providers are considered quite burdensome for small entrepreneurs, especially if transactions are carried out in small amounts. This finding is in line with research conducted by Leng et al. (2018: 15) which states that transaction costs are one of the main considerations in using mobile payments. This finding is also supported by economic theory which states that transaction costs are an important factor in making economic decisions by business actors (Hayati & Si, 2017: 112).

Apart from that, this research also found small entrepreneurs' concerns regarding the risk of financial loss due to fraud or fraud in using smart wallets. These findings are in line with research conducted by Nurhidayah et al. (2021: 10) which states that the trust factor influences customer loyalty in using the GoPay e-wallet. This finding is also supported by the theory of risk perception in the Technology Acceptance Model (TAM) which states that

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risk perception can hinder the acceptance of technology by users (Brahmanta & Wardhani, 2021: 62).

Another challenge found in this research is the difficulty in changing the preferences of consumers who are still accustomed to cash transactions, especially in rural areas or consumers from middle to lower economic backgrounds. This finding is in line with research conducted by Vyandra (2023 : 59) which states that socio-cultural factors influence the transaction behavior of e-wallet users. This finding is also supported by consumer behavior theory which states that cultural factors, social class and lifestyle influence consumer behavior in adopting a product or service (Simanihuruk et al., 2023: 75).

Lack of outreach and education from smart wallet service providers is also a challenge found in this research. This is in line with research conducted by Sari (2022: 57) which states that socialization and education influence interest in using e-money. This finding is also supported by financial literacy theory which states that education and outreach are very important to increase people's understanding and skills in using financial products and services, including smart wallets (Choerudin et al., 2023: 27).

Lastly, this research also found that there were obstacles in integrating smart wallets with manual or traditional business bookkeeping systems. This finding is in line with research conducted by Atmaja and Amri (2022: 10) which states that ease of integration with the bookkeeping system influences people's intentions to use e-wallets for infaq and alms payments. This finding is also supported by the diffusion of innovation theory which states that compatibility with existing systems is one of the factors that influences the adoption of a technological innovation (Simanihuruk et al., 2023: 79).

5. Conclusion and Recommendation

Based on this discussion, the conclusions in this research are as follows:

1. Most small entrepreneurs in Gorontalo City have a positive perception of the use of smart wallets in managing their business finances, considering smart wallets as a practical, safe and efficient payment tool.
2. However, there are concerns from some small entrepreneurs regarding data security and privacy risks in using smart wallets.
3. There is a difference in perception between younger and older small entrepreneurs in adopting smart wallets, where younger entrepreneurs tend to be more open and enthusiastic, while older ones are more cautious.
4. Positive perceptions of smart wallets are influenced by trends and people's lifestyles which are increasingly modern and completely digital.
5. Small entrepreneurs in Gorontalo City face various challenges in using smart wallets, such as internet connectivity problems, difficulties in understanding features and operations, burdensome transaction fees, concerns about security risks and fraud, and difficulty changing consumer preferences.
6. Other challenges faced include a lack of outreach and education from service providers, obstacles to integration with business bookkeeping systems, as well as limited access and ownership of supporting equipment.
7. Although small entrepreneurs in Gorontalo City have a positive perception of the use of smart wallets in managing their business finances, they also face a number of significant challenges. These challenges include technical aspects, digital understanding and literacy, finance, security, consumer preferences, as well as integration obstacles with

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existing systems. To optimize the use of smart wallets in the context of microfinance among small entrepreneurs in Gorontalo City, comprehensive efforts are needed from various parties, both smart wallet service providers, the government, and small entrepreneurs themselves, to overcome these challenges effectively.

Based on the conclusions that researchers obtained in this research, the suggestions in this research are, as follows:

1. Increase socialization and education regarding the features, security and benefits of using smart wallets for small entrepreneurs, especially for those who are older or less familiar with digital technology.
2. Provide easy-to-understand guidance and training on how to operate a smart wallet and integrate it with a business accounting system.
3. Optimizing internet network infrastructure and connectivity in the Gorontalo City area to ensure a smooth user experience in using the smart wallet.
4. Explore partnerships with smart wallet service providers to reduce transaction costs and offer incentives for small entrepreneurs who adopt smart wallets.
5. Increase consumer protection efforts by strengthening regulations and supervision of data security, privacy and fraud risks in the use of smart wallets.
6. Facilitate dialogue and collaboration between smart wallet service providers, small entrepreneurs, and consumers to adjust preferences and increase smart wallet adoption in business activities.
7. Develop a comprehensive strategy involving the government, smart wallet service providers, financial institutions, small business associations and other stakeholders to build an ecosystem that supports widespread and sustainable use of smart wallets in microfinance in Gorontalo City. This strategy must include aspects of regulation, infrastructure, digital literacy, incentives, consumer protection, and an approach tailored to the specific needs of small entrepreneurs in the region.

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